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DEPT FOR WHA P. DUDDY; WHA /CAR B. NICHOLS, D. SEARBY, K.  
WILLIAMS, WHA/PPC, WHA/EPSC

E.O. 12958: DECL: 07/21/2016

TAGS: [ECPS](#) [DR](#) [EINV](#) [ETRD](#)

SUBJECT: DOMINICAN PRESIDENT DISCUSSES TAX ON SALE OF  
ASSETS WITH VERIZON EXECUTIVES

Classified By: Ambassador Hans H. Hertell. Reason: 1.4 (b) and (d)

¶1. (C) Summary: A delegation of nine executives from Verizon USA (VZ) met with a similar size delegation from the Dominican government in the presidential palace. Mr. John Diercksen, (JD) Executive VP for Strategy, Development & Planning, headed the VZ delegation. President Fernandez (PF) led the Dominican delegation. Each side made a PowerPoint presentation of their position on the issue and subsequently there was one round of rebuttal from each side. Afterward PF and JD exchanged comments and questions. The meeting concluded with an agreement for both technical teams to continue to seek clarification and understanding, and a joint press release was drafted. A subsequent private meeting between JD, PF, and Ambassador Hertell was held. In this meeting, JD requested a single non-technical point-of-contact to be appointed to continue to work on this at the highest level. End Summary.

¶2. (SBU) On July 20, a delegation of nine executives from Verizon USA (VZ) met with a similar size delegation from the Dominican government in the presidential palace. Mr. John Diercksen, (JD) Executive VP for Strategy, Development & Planning, headed the VZ delegation. President Fernandez (PF) led the Dominican delegation.

¶3. (SBU) Both sides opened by expressing their desire to clarify the issue and seek the truth, and stating their willingness to abide by the outcome. JD apologized for any confusion or misunderstanding in the way the negotiations had been conducted, and for the fact that PF had learned of the sale through a third party and not from VZ itself.

¶4. (C) Juan Hernandez, Dominican Director General of Internal Revenue (DGII), made the first presentation. His conclusion was that according to the Dominican tax code, a tax liability had occurred and that VZ was trying to evade taxes owed to the Dominican Republic. Eric Zolt, of UCLA School of Law, made the VZ presentation. His conclusion was that DGII has no statutory authority to tax a foreign company's sale of shares of a Canadian company to a corporation not resident in the Dominican Republic. At the end of the presentations, there was a short single round of rebuttal between the two sides, which ended with each as entrenched as ever. The tone of the presentations was civil, but passionate, adamant, and nearly confrontational. As the discussion progressed, the emotion of both sides was evident.

¶5. (C) Both PF and JD made a statement at the end of the presentations and rebuttals expressing conviction and support for their respective positions. Both repeated their desire that the dispute be resolved privately and not in public. JD repeated his conviction that VZ had not tried to commit fraud. He also communicated VZ's commitment to work with

the DGII technical team to find a satisfactory outcome. Lastly, he asked PF to allow Verizon Dominicana President Jorge Ivan Ramirez to remain in the Dominican Republic until this dispute had been resolved, without fear of arrest. (NOTE: According to DGII, the legal representative of the company is personally liable for tax matters).

¶16. (C) PF agreed with the proposal to work together to reach a friendly solution, but acknowledged that both sides were convinced of their positions. He, too, asked that the discussion remain private and at the technical level, and that it not be carried out in the press. At the end of the meeting between the joint delegations, JD requested a private meeting between PF, Ambassador Hertell, and himself. In this short meeting, JD told PF that he had given the order for all public and private pressure to stop, particularly through Washington. He committed VZ to avoiding any press activity regarding this issue and requested PF to appoint a non-technical single point-of-contact for him. PF acknowledge that it will be difficult to reach a common legal view, and said that in his personal view, the jurisdiction was unclear. He said that he would be pleased if the two groups continue to work together, but that other means to resolving this issue need to be considered. He finalized the meeting with the comment that reasonable parties can find satisfactory solutions. PF suggested that he would likely name his Finance Minister to head the DR negotiating group.

¶17. (C) Comment: Tensions were high during the entire meeting, particularly when the entire delegations were together. Upon arrival, both delegations were stoic and the emotional strain was palpable. Ambassador Hertell,s presence and his interaction with both sides played a pivotal role in maintaining the civility of the discussion. One particularly important intervention was his communications

with the VZ delegation before the meeting started. He helped them to understand the Dominican government,s sensitivity toward how VZ had managed the transaction, particularly given VZ,s long history in the country and its relationship with PF. He also gave them suggestions for how to open the meeting. VZ took his advice and that set the tone of the meeting on a positive note. Ambassador Hertell,s close relationship with the principals of the GODR delegation and his deep understanding of the DR culture were critical to the relatively successful first encounter between the two parties, which could easily have been disastrous. The VZ and GODR delegations both acknowledged to Embassy Officials their relief that the meeting had gone reasonably well and expressed gratitude for the presence of the Ambassador.  
HERTELL